

DENISON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
District-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Student Activity Accounts	3	40-41
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	42
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	43
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	45
Schedule of Expenditures of Federal Awards	8	46-47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		48-49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		50-51
Schedule of Findings and Questioned Costs		52-58
Corrective Action Plan for Federal Audit Findings		59
Schedule of Prior Year Federal Audit Findings		60

Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Rod Bradley	President	2009
Brenda Martens	Vice President	2007
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2008
Mark Johnson	Board Member	2008
Board of Education (After September 2007 Election)		
Rod Bradley	President	2009
Brenda Martens	Vice President	2010
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2008
Mark Johnson	Board Member	2008
School Officials		
Mike Pardun	Superintendent	2008
Larry Struck	Business Manager	2008
Ruth Frazier	District Secretary	2008
Terry Prickett	District Treasurer	2008
Mundt, Franck and Schumacher	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Denison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2009 on our consideration of Denison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Denison Community School District's basic financial statements. We previously audited the financial statements for the previous three years ended June 30, 2007 while another auditor previously audited the financial statements for the year ended June 30, 2004, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson P.C.
NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,676,654 in fiscal 2007 to \$16,567,580 in fiscal 2008, while General Fund expenditures increased from \$15,076,901 in fiscal 2007 to \$16,642,447 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$1,375,652 in fiscal 2007 to a balance of \$1,385,748 in fiscal 2008, which is less than a 1% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and local sources in fiscal 2008. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- Since the end of fiscal year 2005, the District's General Fund carryover balance has increased from \$319,667 to \$1,385,748 as of the end of fiscal year 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Denison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denison Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Denison Community School District Annual Financial Report

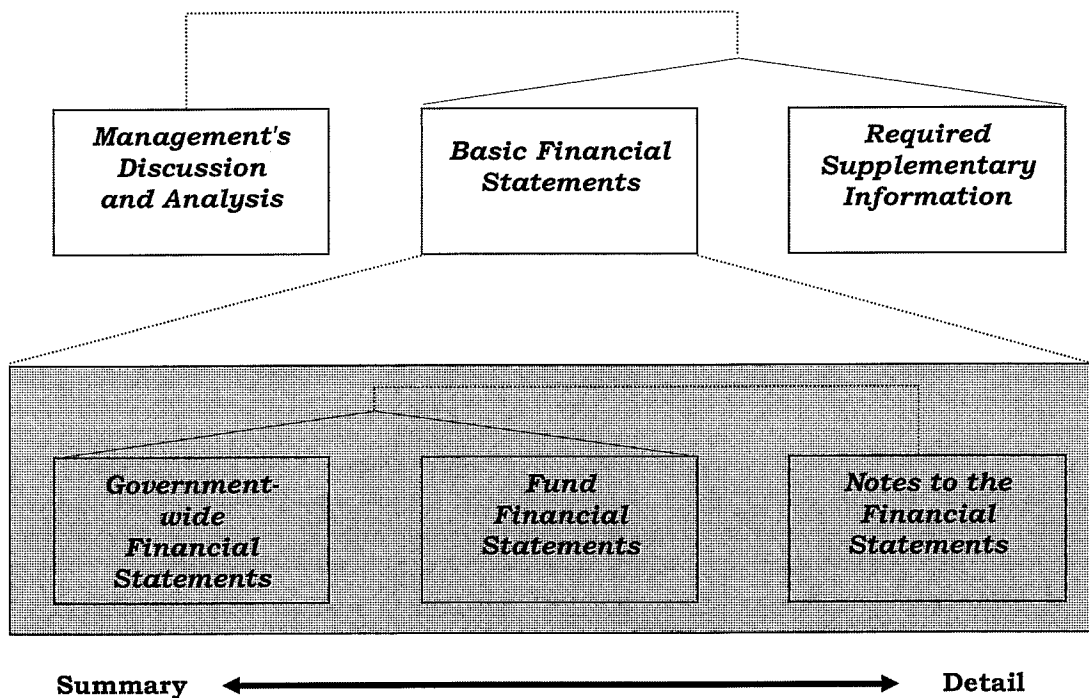


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. Another example is the Iowa Academic Decathlon.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 10,485,146	14,558,726	131,646	195,922	10,616,792	14,754,648	-28.04%
Capital assets	16,739,940	13,365,516	230,083	183,903	16,970,023	13,549,419	25.25%
Total assets	27,225,086	27,924,242	361,729	379,825	27,586,815	28,304,067	-2.53%
Long-term obligations	8,185,064	8,739,303	0	0	8,185,064	8,739,303	-6.34%
Other liabilities	6,607,510	7,428,560	13,368	19,453	6,620,878	7,448,013	-11.11%
Total liabilities	14,792,574	16,167,863	13,368	19,453	14,805,942	16,187,316	-8.53%
Net assets:							
Invested in capital assets, net of related debt	8,760,784	7,892,369	230,083	183,903	8,990,867	8,076,272	11.32%
Restricted	2,090,893	2,295,881	0	0	2,090,893	2,295,881	-8.93%
Unrestricted	1,580,835	1,568,129	118,278	176,469	1,699,113	1,744,598	-2.61%
Total net assets	\$ 12,432,512	11,756,379	348,361	360,372	12,780,873	12,116,751	5.48%

The District's combined net assets increased by 5.48%, or \$664,122, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 8.93%, or \$204,988, over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$45,485, or 2.61%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,558,622	1,682,824	331,081	326,787	1,889,703	2,009,611	-5.97%
Operating grants and contributions and restricted interest	2,622,115	2,390,780	669,499	599,462	3,291,614	2,990,242	10.08%
Capital grants and contributions and restricted interest	157,500	453,681	0	0	157,500	453,681	-65.28%
General revenues:							
Local tax	3,936,380	3,938,652	0	0	3,936,380	3,938,652	-0.06%
Local option sales and services tax	1,023,786	1,061,711	0	0	1,023,786	1,061,711	-3.57%
Unrestricted state grants	9,080,850	8,700,581	0	0	9,080,850	8,700,581	4.37%
Other	553,027	688,880	3,477	8,872	556,504	697,752	-20.24%
Transfers	(29,572)	0	29,572	0	0	0	0.00%
Total revenues	18,902,708	18,917,109	1,033,629	935,121	19,936,337	19,852,230	0.42%
Program expenses:							
Governmental activities:							
Instructional	11,212,002	10,451,550	0	0	11,212,002	10,451,550	7.28%
Support services	5,196,093	4,605,652	0	0	5,196,093	4,605,652	12.82%
Non-instructional programs	0	0	1,045,640	956,614	1,045,640	956,614	9.31%
Other expenses	1,818,480	1,213,181	0	0	1,818,480	1,213,181	49.89%
Total expenses	18,226,575	16,270,383	1,045,640	956,614	19,272,215	17,226,997	11.87%
Changes in net assets	676,133	2,646,726	(12,011)	(21,493)	664,122	2,625,233	-74.70%
Beginning net assets	11,756,379	9,109,653	360,372	381,865	12,116,751	9,491,518	27.66%
Ending net assets	\$ 12,432,512	11,756,379	348,361	360,372	12,780,873	12,116,751	5.48%

In fiscal 2008, local tax and unrestricted state grants account for 74.28% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.80% of the revenue from business type activities.

The District's total revenues were approximately \$19.94 million of which \$18.90 million was for governmental activities and slightly less than \$1.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.42% increase in revenues and a 11.87% increase in expenses. Unrestricted state grants increased \$380,269 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$18,902,708 and expenses were \$18,226,575.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 11,212,002	10,451,550	7.28%	7,709,661	7,036,491	9.57%
Support services	5,196,093	4,605,652	12.82%	5,150,516	4,547,470	13.26%
Other expenses	1,818,480	1,213,181	49.89%	1,028,161	159,137	546.09%
Totals	<u>\$ 18,226,575</u>	<u>16,270,383</u>	<u>12.02%</u>	<u>13,888,338</u>	<u>11,743,098</u>	<u>18.27%</u>

- The cost financed by users of the District's programs was \$1,558,622.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,779,615.
- The net cost of governmental activities was financed with \$3,936,380 in local tax, \$1,023,786 in local option sales and service tax, \$9,080,850 in state grants and \$271,177 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$1,033,629 and expenses were \$1,045,640. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Denison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,563,863, below last year's ending fund balances of \$6,821,675. However, the primary reason for the decrease in combined fund balances is because of costs associated with finishing construction of the new Denison middle school.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,375,652 in fiscal 2007 to \$1,385,748 in fiscal 2008.
- The Capital Projects fund balance overall decreased from \$4,243,218 in fiscal 2007 to \$1,013,719 in fiscal 2008. The decrease in fund balance for this fund is the result of paying for construction for the new middle school building and the beginning of the elementary remodeling project.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was not enough to offset the continued increase in food costs, and salaries and benefits. Overall, net assets decreased from \$360,372 at June 30, 2007 to \$348,361 at June 30, 2008, representing a decrease of 3.33%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$170,136 more than budgeted revenues, a variance of less than 1%. The most significant variances resulted from the District receiving more in intermediate and federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2008, expenditures in the support services and other expenditures functions exceeded budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$16,970,023, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 25.25% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$650,767.

The original cost of the District's capital assets was \$23,072,391. Governmental funds account for \$22,677,854 with the remainder of \$394,537 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$5,261,693 at June 30, 2007 as compared to \$14,662,027 at June 30, 2008. This increase is due completion of the new middle school located next to the existing high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 183,780	183,780	0	0	183,780	183,780	0.00%
Construction in progress	561,939	6,868,502	0	0	561,939	6,868,502	-91.82%
Buildings	14,662,027	5,261,693	0	0	14,662,027	5,261,693	178.66%
Land improvements	617,343	598,381	0	0	617,343	598,381	3.17%
Machinery and equipment	714,851	453,160	230,083	183,903	944,934	637,063	48.33%
Total	\$ 16,739,940	13,365,516	230,083	183,903	16,970,023	13,549,419	25.25%

Long-Term Debt

At June 30, 2008, the District had \$8,185,064 in general obligation, revenue, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	4,670,000	4,840,000	-3.5%
Revenue bonds	3,230,000	3,700,000	-12.7%
Computer lease	79,156	0	100.0%
Early retirement	205,908	199,303	3.3%
Total	\$ 8,185,064	8,739,303	-6.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- For the District's certified enrollment on October 2007, a decline of 0.1 students on line 1 was experienced. Stabilization of enrollment in the upcoming years will be necessary to help maintain the District's financial health.
- Construction of the new middle school was completed during fiscal year 2008. During the year, the District started a remodeling project for the Broadway Elementary Building.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Larson, Business Manager, Denison Community School District, 819 North 16th Street, Denison, Iowa, 51442.

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 903,302	0	903,302
Other	4,895,046	100,224	4,995,270
Receivables:			
Property tax:			
Delinquent	41,356	0	41,356
Succeeding year	3,269,445	0	3,269,445
Income surtax	414,425	0	414,425
Accounts	5,817	17,988	23,805
Accrued interest:			
ISCAP(Note 4)	342	0	342
Due from other governments	941,946	0	941,946
Inventories	13,467	13,434	26,901
Capital assets, net of accumulated depreciation(Note 5)	16,739,940	230,083	16,970,023
TOTAL ASSETS	27,225,086	361,729	27,586,815
LIABILITIES			
Accounts payable	918,734	3,578	922,312
Salaries and benefits payable	1,407,050	3,739	1,410,789
ISCAP warrants payable(Note 4)	896,000	0	896,000
ISCAP interest payable(Note 4)	263	0	263
ISCAP unamortized premium	15,366	0	15,366
Accrued interest payable	100,652	0	100,652
Deferred revenue:			
Succeeding year property tax	3,269,445	0	3,269,445
Unearned revenue	0	6,051	6,051
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	175,000	0	175,000
Revenue bonds payable	490,000	0	490,000
Computer lease payable	38,290	0	38,290
Early retirement payable	49,686	0	49,686
Portion due after one year:			
General obligation bonds payable	4,495,000	0	4,495,000
Revenue bonds payable	2,740,000	0	2,740,000
Computer lease payable	40,866	0	40,866
Early retirement payable	156,222	0	156,222
TOTAL LIABILITIES	14,792,574	13,368	14,805,942
NET ASSETS			
Invested in capital assets, net of related debt	8,760,784	230,083	8,990,867
Restricted for:			
Special education services birth to three	1,703	0	1,703
Professional development	12,144	0	12,144
Market factor	3,911	0	3,911
Talented and gifted	9,221	0	9,221
Salary improvement program	16	0	16
Market factor incentives	12,190	0	12,190
Physical plant and equipment levy	93,613	0	93,613
Capital projects	1,013,719	0	1,013,719
Debt service	749,063	0	749,063
Other special revenue purposes	195,313	0	195,313
Unrestricted	1,580,835	118,278	1,699,113
TOTAL NET ASSETS	\$ 12,432,512	348,361	12,780,873

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 6,730,101	764,376	1,851,375	0	(4,114,350)	0	(4,114,350)
Special instruction	2,035,544	309,484	113,449	0	(1,612,611)	0	(1,612,611)
Other instruction	2,446,357	463,657	0	0	(1,982,700)	0	(1,982,700)
	11,212,002	1,537,517	1,964,824	0	(7,709,661)	0	(7,709,661)
Support services:							
Student services	564,300	0	0	0	(564,300)	0	(564,300)
Instructional staff services	858,215	0	0	0	(858,215)	0	(858,215)
Administration services	1,453,364	0	0	0	(1,453,364)	0	(1,453,364)
Operation and maintenance of plant services	1,611,244	0	0	0	(1,611,244)	0	(1,611,244)
Transportation services	708,970	21,105	24,472	0	(663,393)	0	(663,393)
	5,196,093	21,105	24,472	0	(5,150,516)	0	(5,150,516)
Other expenditures:							
Facilities acquisitions	414,659	0	0	157,500	(257,159)	0	(257,159)
Long-term debt interest	345,183	0	0	0	(345,183)	0	(345,183)
AEA flowthrough	632,819	0	632,819	0	0	0	0
Depreciation (unallocated)*	425,819	0	0	0	(425,819)	0	(425,819)
	1,818,480	0	632,819	157,500	(1,028,161)	0	(1,028,161)
Total governmental activities	18,226,575	1,558,622	2,622,115	157,500	(13,888,338)	0	(13,888,338)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	1,045,640	331,081	669,499	0	0	(45,060)	(45,060)
Total	\$ 19,272,215	1,889,703	3,291,614	157,500	(13,888,338)	(45,060)	(13,933,398)
General Revenues & Transfers:							
Local tax for:							
General purposes					\$ 3,483,386	0	3,483,386
Debt service					346,744	0	346,744
Capital outlay					106,250	0	106,250
Local option sales and services tax					1,023,786	0	1,023,786
Unrestricted state grants					9,080,850	0	9,080,850
Unrestricted investment earnings					271,177	3,477	274,654
Other					281,850	0	281,850
Transfers					(29,572)	29,572	0
Total general revenues and transfers					14,564,471	33,049	14,597,520
Changes in net assets					676,133	(12,011)	664,122
Net assets beginning of year					11,756,379	360,372	12,116,751
Net assets end of year					\$ 12,432,512	348,361	12,780,873

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP(Note 4)	\$ 903,302	0	0	0	903,302
Other	2,521,194	1,202,798	744,940	426,114	4,895,046
Receivables:					
Property tax					
Delinquent	34,904	0	4,123	2,329	41,356
Succeeding year	3,031,441	0	0	238,004	3,269,445
Income surtax	414,425	0	0	0	414,425
Accounts	3,652	0	0	2,165	5,817
Accrued interest:					
ISCAP(Note 4)	342	0	0	0	342
Due from other governments	484,318	456,810	0	818	941,946
Inventories	13,467	0	0	0	13,467
TOTAL ASSETS	\$ 7,407,045	1,659,608	749,063	669,430	10,485,146
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 256,752	645,889	0	16,093	918,734
Salaries and benefits payable	1,407,050	0	0	0	1,407,050
ISCAP warrants payable(Note 4)	896,000	0	0	0	896,000
ISCAP interest payable(Note 4)	263	0	0	0	263
ISCAP unamortized premium	15,366	0	0	0	15,366
Deferred revenue:					
Succeeding year property tax	3,031,441	0	0	238,004	3,269,445
Income surtax	414,425	0	0	0	414,425
Total liabilities	6,021,297	645,889	0	254,097	6,921,283
Fund balances:					
Reserved for:					
Construction	0	71,006	0	0	71,006
Special education services birth to three	1,703	0	0	0	1,703
Professional development	12,144	0	0	0	12,144
Market factor	3,911	0	0	0	3,911
Talented and gifted	9,221	0	0	0	9,221
Salary improvement program	16	0	0	0	16
Market factor incentives	12,190	0	0	0	12,190
Inventories	13,467	0	0	0	13,467
Unreserved:					
Undesignated:					
General	1,333,096	0	0	0	1,333,096
Management levy	0	0	0	126,407	126,407
Physical plant and equipment levy	0	0	0	93,613	93,613
Capital projects	0	942,713	0	0	942,713
Debt service	0	0	749,063	0	749,063
Other special revenue purposes	0	0	0	195,313	195,313
Total fund balances	1,385,748	1,013,719	749,063	415,333	3,563,863
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,407,045	1,659,608	749,063	669,430	10,485,146

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 3,563,863
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	16,739,940
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	414,425
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(100,652)
Long-term liabilities, including general obligation bonds, revenue bonds, computer lease and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(8,185,064)
Net assets of governmental activites (page 13)	\$ <u>12,432,512</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,383,246	0	346,744	206,390	3,936,380
Local option sales and service tax	0	1,023,786	0	0	1,023,786
Tuition	1,051,805	0	0	0	1,051,805
Other	429,999	110,808	26,420	500,117	1,067,344
Intermediate sources	9,591	0	0	0	9,591
State sources	10,693,767	0	282	153	10,694,202
Federal sources	999,172	150,000	0	0	1,149,172
Total revenues	16,567,580	1,284,594	373,446	706,660	18,932,280
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	6,720,642	0	0	0	6,720,642
Special instruction	2,049,794	0	0	0	2,049,794
Other instruction	1,978,219	0	0	501,950	2,480,169
	10,748,655	0	0	501,950	11,250,605
Support services:					
Student services	578,550	0	0	0	578,550
Instructional staff services	864,107	0	0	0	864,107
Administration services	1,478,639	0	0	4,502	1,483,141
Operation and maintenance of plant services	1,515,818	45,212	0	89,309	1,650,339
Transportation services	823,859	0	0	0	823,859
	5,260,973	45,212	0	93,811	5,399,996
Other expenditures:					
Facilities acquisitions	0	3,840,023	0	172,505	4,012,528
Long-term debt:					
Principal	0	0	683,615	0	683,615
Interest and fiscal charges	0	0	350,465	0	350,465
AEA flowthrough	632,819	0	0	0	632,819
	632,819	3,840,023	1,034,080	172,505	5,679,427
Total expenditures	16,642,447	3,885,235	1,034,080	768,266	22,330,028
Deficiency of revenues under expenditures	(74,867)	(2,600,641)	(660,634)	(61,606)	(3,397,748)
Other financing sources(uses):					
Transfer in	200	0	672,473	0	672,673
Transfer out	(43,615)	(628,858)	0	(200)	(672,673)
Proceeds of computer lease	122,771	0	0	0	122,771
Sale of equipment	5,607	0	0	0	5,607
Sale of real property	0	0	0	11,558	11,558
Total other financing sources(uses)	84,963	(628,858)	672,473	11,358	139,936
Net change in fund balances	10,096	(3,229,499)	11,839	(50,248)	(3,257,812)
Fund balance beginning of year	1,375,652	4,243,218	737,224	465,581	6,821,675
Fund balance end of year	\$ 1,385,748	1,013,719	749,063	415,333	3,563,863

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (3,257,812)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 4,067,754		
Depreciation expense	(623,113)		
Loss on asset disposal	<u>(70,217)</u>		3,374,424

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded current year issuances as follows:

Issued	\$ (122,771)		
Repaid	<u>683,615</u>		560,844

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,282

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement			<u>(6,605)</u>
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Changes in net assets of governmental activities (page 14) \$ 676,133

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 100,224
Receivables:	
Accounts	17,988
Inventories	13,434
Capital assets, net of accumulated depreciation(note 5)	<u>230,083</u>
TOTAL ASSETS	<u>361,729</u>
LIABILITIES	
Accounts payable	3,578
Salaries and benefits payable	3,739
Unearned revenue	<u>6,051</u>
TOTAL LIABILITIES	<u>13,368</u>
NET ASSETS	
Invested in capital assets	230,083
Unrestricted	<u>118,278</u>
TOTAL NET ASSETS	<u>\$ 348,361</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 331,081
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	329,453
Benefits	48,439
Services	12,491
Supplies	625,573
Depreciation	27,654
TOTAL OPERATING EXPENSES	<u>1,043,610</u>
OPERATING LOSS	<u>(712,529)</u>
NON-OPERATING REVENUES:	
Interest	3,477
State sources	11,968
Federal sources	657,531
TOTAL NON-OPERATING REVENUES	<u>672,976</u>
Net loss before other financing sources(uses):	(39,553)
OTHER FINANCING SOURCES(USES):	
Capital contribution	29,572
Loss on asset disposal	(2,030)
TOTAL OTHER FINANCING SOURCES(USES)	<u>27,542</u>
Change in net assets	(12,011)
Net assets beginning of year	<u>360,372</u>
Net assets end of year	<u><u>\$ 348,361</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 240,297
Cash received from miscellaneous operating activities	87,304
Cash payments to employees for services	(385,064)
Cash payments to suppliers for goods or services	(593,239)
Net cash used in operating activities	<u>(650,702)</u>
Cash flows from non-capital financing activities:	
State grants received	11,968
Federal grants received	607,946
Net cash provided by non-capital financing activities	<u>619,914</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(46,292)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,477</u>
Net decrease in cash and cash equivalents	(73,603)
Cash and cash equivalents at beginning of year	<u>173,827</u>
Cash and cash equivalents at end of year	<u>\$ 100,224</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (712,529)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	49,585
Depreciation	27,654
Increase in inventories	(2,986)
Increase in accounts receivable	(6,341)
Decrease in accounts payable	(1,774)
Decrease in salaries and benefits payable	(7,172)
Increase in unearned revenue	2,861
Net cash used in operating activities	<u>\$ (650,702)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 100,224</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$49,585.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital from the Capital Projects Fund of \$29,572.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 31,898	22,561
Accounts receivable	336	194
TOTAL ASSETS	<u>32,234</u>	<u>22,755</u>
LIABILITIES		
Accounts payable	0	591
Due to other groups	0	22,164
TOTAL LIABILITIES	<u>0</u>	<u>22,755</u>
NET ASSETS		
Reserved for scholarships	21,414	0
Unreserved	10,820	0
TOTAL NET ASSETS	<u>\$ 32,234</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 894
Contributions	<u>3,000</u>
Total additions	<u>3,894</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>2,500</u>
Change in net assets	1,394
Net assets beginning of year	<u>30,840</u>
Net assets end of year	<u>\$ 32,234</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Denison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Denison, Kiron, Deloit, Iowa, and a small portion of rural Ida County and the predominate agricultural territory of Crawford County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Denison Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Denison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ida and Crawford County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 disbursements in the support services and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 493,465</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 628,858
Debt Service	General Fund	43,615
General	Activity	<u>200</u>
Total		<u>\$ 672,673</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09A	6/26/2008	6/25/2009	\$ 903,302	342	896,000	263

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007/08A	\$ 0	100,000	100,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,780	0	0	183,780
Construction in progress	6,868,502	3,434,404	9,740,967	561,939
Total capital assets not being depreciated	7,052,282	3,434,404	9,740,967	745,719
Capital assets being depreciated:				
Buildings	9,243,272	9,810,477	36,121	19,017,628
Land improvements	884,114	69,314	0	953,428
Machinery and equipment	1,583,801	494,526	117,248	1,961,079
Total capital assets being depreciated	11,711,187	10,374,317	153,369	21,932,135
Less accumulated depreciation for:				
Buildings	3,981,579	375,467	1,445	4,355,601
Land improvements	285,733	50,352	0	336,085
Machinery and equipment	1,130,641	197,294	81,707	1,246,228
Total accumulated depreciation	5,397,953	623,113	83,152	5,937,914
Total capital assets being depreciated, net	6,313,234	9,751,204	70,217	15,994,221
Governmental activities capital assets, net	\$ 13,365,516	13,185,608	9,811,184	16,739,940

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 321,528	75,864	2,855	394,537
Less accumulated depreciation	137,625	27,654	825	164,454
Business-type activities capital assets, net	<u>\$ 183,903</u>	<u>48,210</u>	<u>2,030</u>	<u>230,083</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 6,551
Other	12,592
Support services:	
Instructional services	670
Administration	15,593
Operation and maintenance	22,821
Transportation	139,067
	<u>197,294</u>
Unallocated depreciation	<u>425,819</u>

Total governmental activities depreciation expense \$ 623,113

Business-type activities:

Food services	<u>\$ 27,654</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 3,700,000	0	470,000	3,230,000	490,000
General Obligation Bonds	4,840,000	0	170,000	4,670,000	175,000
Computer Lease	0	122,771	43,615	79,156	38,290
Early Retirement	199,303	49,538	42,933	205,908	49,686
Total	<u>\$ 8,739,303</u>	<u>172,309</u>	<u>726,548</u>	<u>8,185,064</u>	<u>752,976</u>

Capital Lease Obligation

During the year ended June 30, 2008, the District entered into a capital lease purchase agreement for the lease purchase of computers. The lease with Apple is payable from the General Fund. Details of the District's indebtedness under the agreement in effect at June 30, 2008 are as follows:

Year	Apple Lease dated August 9, 2007			
Ending June 30,	Interest Rates	Principal	Interest	Total
2009	6.728 %	\$ 38,290	5,325	43,615
2010	6.728	40,866	2,749	43,615
Total		<u>\$ 79,156</u>	<u>8,074</u>	<u>87,230</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
2009	3.750 %	\$ 490,000	126,965	616,965
2010	3.800	505,000	108,590	613,590
2011	4.000	525,000	89,400	614,400
2012	4.000	545,000	68,400	613,400
2013	4.000	570,000	46,600	616,600
2014	4.000	595,000	23,800	618,800
Total		\$ 3,230,000	463,755	3,693,755

The District has pledged future local option sales and services tax revenues to repay the \$3,230,000 bonds issued May 1, 2006. The bonds were issued for the purpose of defraying a portion of the cost of building the new middle school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,693,755. For the current year \$614,590 in principal and interest was paid on the bonds and total local option sales and services tax revenues were \$973,943.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$400,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006				
	Interest Rates		Principal	Interest	Total
2009	4.25	% \$	175,000	194,608	369,608
2010	4.25		185,000	187,172	372,172
2011	4.25		195,000	179,308	374,308
2012	4.25		200,000	171,022	371,022
2013	4.25		210,000	162,522	372,522
2014	4.25		220,000	153,596	373,596
2015	4.50		230,000	144,246	374,246
2016	5.00		240,000	133,896	373,896
2017	3.85		250,000	121,896	371,896
2018	3.90		260,000	112,272	372,272
2019	3.95		270,000	102,130	372,130
2020	4.00		280,000	91,466	371,466
2021	4.05		295,000	80,266	375,266
2022	4.10		305,000	68,318	373,318
2023	4.10		320,000	55,814	375,814
2024	4.13		330,000	42,694	372,694
2025	4.13		345,000	29,082	374,082
2026	4.13		360,000	14,850	374,850
Total			\$ 4,670,000	2,045,158	6,715,158

Early Retirement

The District offers a voluntary early retirement plan to any full-time District employee who is presently covered by the District's insurance program, is presently under contract, has been with the District for ten or more years, and who on July 1 of the retirement year is between the ages of fifty-five and sixty-four. certified and support staff employees. Employees must complete an application which is required to be approved by the Board of Education. The District provides a minimum benefit of \$75 per month for the monthly premiums for single and family health and major medical insurance coverage. Early retirement benefits paid during the year ended June 30, 2008, totaled \$49,538. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$649,202, \$560,800 and \$530,332 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. District contributions to ISEBA for the year ended June 30, 2008 were \$1,167,853.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$632,819 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into various contracts totaling \$746,832 for renovations at the elementary school. As of June 30, 2008, costs of \$411,328 had been incurred against the contracts. The balance of \$335,504 remaining at June 30, 2008, will be paid as work on the project progresses.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008 disbursements in the support services and other expenditures functional areas exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,079,315	334,558	7,413,873	7,328,171	7,328,171	85,702
Intermediate sources	9,591	0	9,591	5,000	5,000	4,591
State sources	10,694,202	11,968	10,706,170	10,749,030	10,749,030	(42,860)
Federal sources	1,149,172	657,531	1,806,703	1,684,000	1,684,000	122,703
Total revenues	18,932,280	1,004,057	19,936,337	19,766,201	19,766,201	170,136
Expenditures:						
Instruction	11,250,605	0	11,250,605	11,752,500	11,752,500	501,895
Support services	5,399,996	0	5,399,996	4,923,000	4,923,000	(476,996)
Non-instructional programs	0	1,043,610	1,043,610	1,046,600	1,046,600	2,990
Other expenditures	5,679,427	0	5,679,427	5,338,597	5,338,597	(340,830)
Total expenditures	22,330,028	1,043,610	23,373,638	23,060,697	23,060,697	(312,941)
Deficiency of revenues under expenditures	(3,397,748)	(39,553)	(3,437,301)	(3,294,496)	(3,294,496)	(142,805)
Other financing sources, net	139,936	27,542	167,478	5,000	5,000	162,478
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(3,257,812)	(12,011)	(3,269,823)	(3,289,496)	(3,289,496)	19,673
Balance beginning of year	6,821,675	360,372	7,182,047	6,377,371	6,377,371	(804,676)
Balance end of year	\$ 3,563,863	348,361	3,912,224	3,087,875	3,087,875	(785,003)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, District expenditures in the support services and other expenditures functions exceeded the budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds			Total
			Physical	Other
	Manage-	Student	Plant and	Nonmajor
	ment	Activity	Equipment	Governmental
	Levy		Levy	Funds
ASSETS				
Cash and pooled investments	\$ 127,897	202,505	95,712	426,114
Receivables:				
Property tax				
Current year delinquent	1,186	0	1,143	2,329
Succeeding year	150,000	0	88,004	238,004
Accounts	0	2,165	0	2,165
Due from other governments	0	818	0	818
TOTAL ASSETS	\$ 279,083	205,488	184,859	669,430
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,676	10,175	3,242	16,093
Deferred revenue:				
Succeeding year property tax	150,000	0	88,004	238,004
Total liabilities	152,676	10,175	91,246	254,097
Unreserved fund balances:	126,407	195,313	93,613	415,333
TOTAL LIABILITIES AND FUND BALANCES	\$ 279,083	205,488	184,859	669,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 100,140	0	106,250	206,390
Other	27,112	463,657	9,348	500,117
State sources	81	0	72	153
TOTAL REVENUES	127,333	463,657	115,670	706,660
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	501,950	0	501,950
Support services:				
Administration services	4,502	0	0	4,502
Operation and maintenance of plant services	89,309	0	0	89,309
Other expenditures:				
Facilities acquisition	0	0	172,505	172,505
TOTAL EXPENDITURES	93,811	501,950	172,505	768,266
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	33,522	(38,293)	(56,835)	(61,606)
OTHER FINANCING SOURCES (USES):				
Sale of real property	0	0	11,558	11,558
Transfers out	0	(200)	0	(200)
TOTAL OTHER FINANCING SOURCES (USES)	0	(200)	11,558	11,358
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	33,522	(38,493)	(45,277)	(50,248)
FUND BALANCE BEGINNING OF YEAR	92,885	233,806	138,890	465,581
FUND BALANCE END OF YEAR	\$ 126,407	195,313	93,613	415,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 6,004	651	324	6,331
Musical	4,073	10,217	10,654	3,636
Drama rental	344	16	0	360
Vocal	3,916	12,009	15,602	323
Band	0	6,326	3,730	2,596
MS band	1,811	1,877	2,667	1,021
Athletics	53,777	93,685	107,098	40,364
MS athletics	0	11,181	10,715	466
Cross country	2,556	2,926	1,523	3,959
Art club	1,030	77	99	1,008
Baseball club	18,200	17,647	26,222	9,625
Basketball club	639	19,583	13,570	6,652
Football club	0	1,281	577	704
World language club	442	19	137	324
Boys golf club	1,191	2,564	1,560	2,195
Girl golf club	407	419	758	68
Health career club	2,856	328	187	2,997
Industrial arts club	558	81	42	597
Softball club	1,150	1,830	2,351	629
Gatorade	0	1,643	1,643	0
Boys tennis club	173	421	269	325
Girls tennis club	771	1,709	2,186	294
Track club	0	800	563	237
Volleyball club	2,060	8,864	8,762	2,162
Wrestling club	58	2,928	855	2,131
Boys soccer	163	13	176	0
Fitness center	168	280	0	448
Girls soccer	4,753	3,082	2,521	5,314
National honor society	0	238	0	238
Do something club	269	8	0	277
Multi-cultural club	297	11	0	308
Activity ticket	0	10,684	10,884	(200)
Academic decathlon	399	1,279	517	1,161
Armory pop fund	3,562	3,145	3,380	3,327
Girls basketball camp	1,870	6,846	6,558	2,158
Business 2000	291	386	55	622
Change	0	690	770	(80)

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cheerleaders	706	6,446	5,984	1,168
Concessions	0	38,129	36,776	1,353
Elementary activity	28,511	22,149	25,575	25,085
FCA	0	757	435	322
FFA Canada trip	(1,481)	1,481	0	0
FFA	18,742	52,745	54,037	17,450
Bowling club	850	1,189	1,030	1,009
Forensics	2,376	5,412	3,138	4,650
HS faculty pop	0	0	215	(215)
Insufficient checks	(466)	254	744	(956)
FCCLA	2,785	2,376	2,095	3,066
Interest	0	7,723	7,723	0
MS activity	15,442	42,952	44,672	13,722
Destin. Imagin.	1,541	178	0	1,719
HS pop fund	0	13,874	14,103	(229)
Students assist	138	2,528	2,877	(211)
Renaissance fun	1,471	0	1,471	0
Wr cheerleaders	144	4	82	66
Student ambassador	5,949	8,904	9,942	4,911
Student senate	5,886	14,053	10,342	9,597
Yearbook	2,885	2,081	3,122	1,844
Girls track	6	1,646	1,067	585
Elementary	468	31	251	248
Middle school	415	38	0	453
High school	801	39	0	840
Purple Pride	0	1,504	0	1,504
MS concessions	265	5,089	3,493	1,861
Peer mediation	193	0	0	193
Java den	512	38	0	550
Elementary mentor	31,317	4	30,000	1,321
Community service	52	36	0	88
Padlock	0	80	0	80
Class of 07	0	500	500	0
Class of 08	510	2,770	3,280	0
Class of 09	0	2,903	2,241	662
Total	\$ 233,806	463,657	502,150	195,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 18,718	164	250	12,766	31,898
Accounts receivable	0	0	0	336	336
TOTAL ASSETS	18,718	164	250	13,102	32,234
LIABILITIES	0	0	0	0	0
NET ASSETS					
Unreserved	9,304	164	250	1,102	10,820
Reserved for scholarships	9,414	0	0	12,000	21,414
TOTAL NET ASSETS	\$ 18,718	164	250	13,102	32,234

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Total
ADDITIONS:					
Local sources:					
Contributions	\$ 2,000	0	1,000	0	3,000
Interest	298	0	0	596	894
TOTAL ADDITIONS	2,298	0	1,000	596	4,490
DEDUCTIONS:					
Instruction:					
Regular instruction:					
Scholarships awarded	1,250	0	1,000	250	2,500
Changes in net assets	1,048	0	0	346	1,394
Net assets beginning of year	17,670	164	250	12,756	30,840
Net assets end of year	\$ 18,718	164	250	13,102	32,234

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 13,574	83,825	74,838	22,561
Accounts receivable	1,000	194	1,000	194
Due from other governments	2,190	0	2,190	0
TOTAL ASSETS	<u>\$ 16,764</u>	<u>84,019</u>	<u>78,028</u>	<u>22,755</u>
LIABILITIES				
Accounts payable	\$ 774	591	774	591
Due to other groups	15,990	22,164	15,990	22,164
TOTAL LIABILITIES	<u>\$ 16,764</u>	<u>22,755</u>	<u>16,764</u>	<u>22,755</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,960,166	4,762,011	4,242,492	4,188,725	3,647,468
Tuition	1,051,805	1,089,459	949,792	970,408	1,176,857
Other	1,067,344	1,302,002	1,111,703	881,057	620,216
Intermediate sources	9,591	0	1,495	1,500	3,400
State sources	10,694,202	10,072,320	9,484,543	8,598,370	7,616,970
Federal sources	1,149,172	1,472,722	1,132,611	1,439,305	910,323
Total	<u>\$ 18,932,280</u>	<u>18,698,514</u>	<u>16,922,636</u>	<u>16,079,365</u>	<u>13,975,234</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 6,720,642	5,746,997	5,737,369	5,517,950	5,312,309
Special instruction	2,049,794	1,797,185	1,876,874	2,271,519	1,742,179
Other instruction	2,480,169	2,935,405	2,494,860	1,936,036	2,294,602
Support services:					
Student services	578,550	497,592	499,623	434,464	410,391
Instructional staff services	864,107	596,334	502,824	365,182	359,976
Administration services	1,483,141	1,407,915	1,427,585	1,266,606	1,159,764
Operation and maintenance of plant services	1,650,339	1,387,985	1,299,206	1,341,401	1,221,855
Transportation services	823,859	730,200	706,862	671,070	687,517
Other support services		0	0	0	16,244
Non-instructional programs		0	0	1,978	0
Other expenditures:					
Facilities acquisitions	4,012,528	6,584,913	1,564,374	970,744	201,172
Long-term debt:					
Principal	683,615	460,000	0	0	0
Interest and other charges	350,465	315,641	97	0	0
AEA flow-through	632,819	600,363	573,992	533,042	499,208
Total	<u>\$ 22,330,028</u>	<u>23,060,530</u>	<u>16,683,666</u>	<u>15,309,992</u>	<u>13,905,217</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 08	\$ 49,585
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	107,145
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	465,184
SUMMER FOOD SERVICE PROGRAM	10.559	FY 08	11,417
			<u>583,746</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 08	<u>24,200</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	358,625
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	4,714
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.011	1701-M	153,450
			<u>516,789</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>22,996</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 08	<u>4,255</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>9,676</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION)	84.215	FY 08	<u>150,000</u>
SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	84.323	FY 08	<u>600</u>
READING FIRST STATE GRANTS	84.357	FY 08	<u>135,300</u>

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 08	<u>82,235</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>73,695</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 08	<u>13,685</u>
AREA EDUCATION AGENCY: IOWA DEPARTMENT OF EDUCATION: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>113,449</u>
TOTAL			<u><u>\$ 1,780,211</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Denison Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Denison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Denison Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Denison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Denison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Denison Community School District's financial statements that is more than inconsequential will not be prevented or detected by Denison Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Denison Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denison Community School District and other parties to whom Denison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Denison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Denison Community School District

Compliance

We have audited the compliance of Denison Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Denison Community School District's management. Our responsibility is to express an opinion on Denison Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Denison Community School District's compliance with those requirements.

In our opinion, Denison Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Denison Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Denison Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Denison Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denison Community School District and other parties to whom Denison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Program for Children
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Denison Community School District did not qualify as a low-risk auditee.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We are in the process of issuing calendars to the non-certified staff coaches on which they are to record the hours that they work each day.

Conclusion - Response accepted.

II-C-08 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund and Activity Fund bank reconciliations which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We have reissued checks to vendors asking them to cash promptly. If this does not work, we will then submit the outstanding checks to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

II-D-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however Activity Fund purchase orders were either completed after the product had been ordered or not completed at all.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District has reviewed procedures with regards to purchase orders and has put steps into place that should insure that purchase orders are properly approved and authorized before purchasing takes place.

Conclusion - Response accepted.

II-E-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual , "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Box Tops for Education were recorded in accounts in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

There is also a Student Pictures account within the Student Activity Fund. This account is comprised of Lifetouch picture commissions and interest earned. The interest should be allocated to other Student Activity Fund accounts that earned the interest. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

The District's Activity Fund contains accounts that are for the middle school and elementary buildings. While examining expenditures from these accounts, we noted expenditures from these accounts that were instructional in nature. The District should review expenditures from these accounts and expenditures deemed instructional should be paid from the General Fund in the future.

There is a Padlock account. Students pay a fee for the use of padlocks on the lockers. These fees are considered a rental fee and According to Chapter 297.9 of the Code of Iowa, rents collected by the District are to be receipted into the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Box Top donations as well as Lifetouch picture commissions are now being receipted to the General Fund.

We will do a better job of monitoring expenditures from the Student Activity Fund in the future. Expenditures that are instructional in nature will be paid from the General Fund.

Padlock rental fees are now being receipted to the General Fund.

Furthermore, we have reviewed Iowa Administrative Code 281-12.6(1) with clerical and administrative staff so they are more aware of what receipts and expenditures are allowable for the Student Activity Fund.

Conclusion - Response accepted.

II-F-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District is working to be more careful with the coding of bills. In regards to specific grants or projects the District is striving towards having accountability by matching revenues with expenditures. A spreadsheet document has been created that will help track the use of grant funds.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation. We do have a main operator for the bookkeeping computer but we are cross trained and receipts are initially accepted by a different person.

Conclusion - Response accepted.

III-B-08 Grant Coding - We noted during our audit, when expenditures for specific projects were posted; it appeared expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching revenues to the expenditures.

Response - The District is working to be more careful with the coding of bills. In regards to specific grants or projects the District is striving towards having accountability by matching revenues with expenditures. A spreadsheet document has been created that will help track the use of grant funds.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amounts budgeted in the support services and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted

IV-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates to give to students as incentive prizes for fundraiser sales. Sales incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has reviewed its procedures and a memo has been shared with administrators referencing the fact that Student Activity Funds will not be used to buy gift cards/certificates as incentives prizes for students.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will review procedures to ensure all publishing dates are met.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Financial Condition - During our audit we noted that the District had six negative account balances in the Student Activity Fund totaling \$1,891.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Annually we review balances and work with sponsors to meet the goal of a positive balance.

Conclusion - Response accepted.

IV-K-08 Construction Change Orders and Capital Lease Obligations - We noted during our audit that the Board President was not signing change orders for construction contracts that the District is engaged in or the Apple lease the District entered into during the fiscal year. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into.

Response - We have reviewed procedures and the Board President will sign all contracts that the District enters into in the future.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

Comment Number	Comment Title	Corrective Action Plan	Contact Person Title Phone Number	Anticipated Date of Completion
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NUTRITION CLUSTER AND TITLE I:

III-A-08	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs	Scott Larson Chief Financial Officer (712) 263-2176	On going effort to increase segregation of duties
III-B-08	Grant Coding	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs	Scott Larson Chief Financial Officer (712) 263-2176	On going effort to code grants correctly

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
2007	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.
2007	Free and Reduced Lunch Applications	Corrected	
2006	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.
2005	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.